

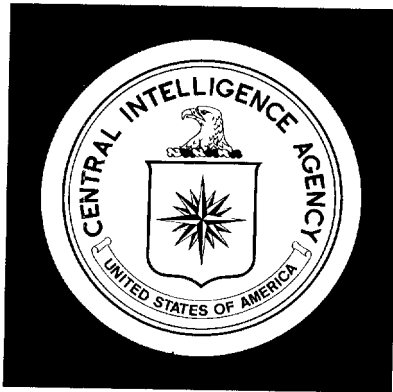
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Weekly Summary

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June 25, 1976

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology.

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Middle East

LEBANON

Syrian President Asad this week accepted a cease-fire agreement with his Palestinian and leftist adversaries in Lebanon and permitted the entry of a token Libyan force into the Beirut airport area. It is clear, however, that he intends no significant reduction of Syria's military or political role in Lebanon.

Asad in fact remains determined to keep the Palestinians led by Yasir Arafat and the leftists under strong pressure until they finally agree to a settlement of the long conflict in Lebanon on Syrian terms—that is, one that while enhancing Muslim political participation and power, preserves Christian rights. Asad has also insisted that the Palestinians live up to earlier agreements with the Lebanese government regulating their conduct in Lebanon.

Growing unrest in Syria over the regime's Lebanese policy and the recent threatening military moves by Iraq helped influence Asad to agree to the truce, which was negotiated last weekend by Libyan Prime Minister Jallud. As part of the agreement, an advance contingent, composed of Libyan and Syrian troops, of the Arab League's peace-keeping force for Lebanon was allowed to proceed to Beirut, where it opened the airport on June 23 to the first commercial traffic in over two weeks.

The Palestinians hoped the truce agreement and introduction of a pan-Arab force would significantly reduce the Syrians' role in the conflict. Asad, however, has managed so far to manipulate the provisions of the truce in such a way that Syria's overall military strength in Lebanon remains undiluted. The league contingent was supposed to be composed of equal numbers of Syrian and Libyan troops, but in fact includes many more Syrians.

Although the new force is theoretically responsible to the league rather than to Damascus, the distinction has actually meant nothing. The new Syrian arrivals have, in effect, merely rotated with a slightly larger group of Syrian regulars and have retained total Syrian control of the airport. Damascus has, however, eased somewhat its blockade of the capital.

Damascus has also circumvented the agreement's provision for a phased pullback of Syrian troops. The Palestinians claim the Syrians agreed to retreat to the Bekaa Valley, while the Syrians publicly counter that they are committed to withdraw only to the Baydar Pass and Jazzin. Damascus has apparently not withdrawn any of its forces save those in the airport area and seems determined to stall as long as possible.

The Syrians respected the cease-fire, at least in Beirut, throughout most of the week; however, the Lebanese Christians, perhaps with private Syrian encouragement, launched a major offensive on June 22 against two Palestinian refugee camps on the outskirts of the capital. The Christian assault appears intended to keep the Palestinians tied down in Beirut and to demonstrate that a large Syrian force must remain in the capital.

The Christians also renewed their drive this week to recapture territory lost earlier to leftists in the northern and central mountains. Christian leaders apparently believe this may be their last opportunity to regain the territory before political negotiations are resumed.

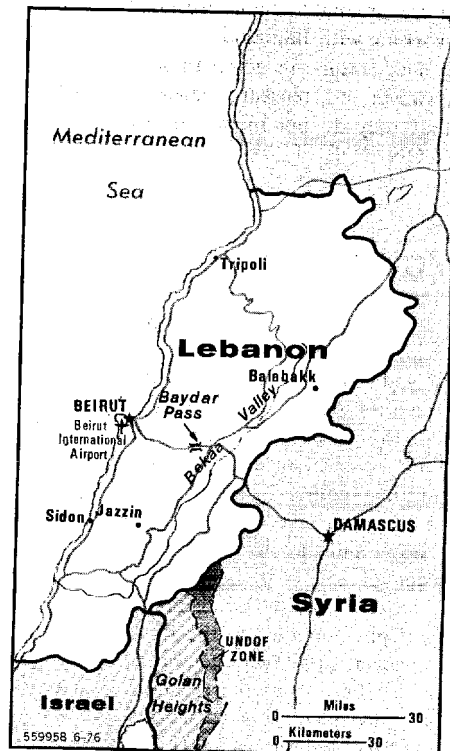
The Christian offensives have been accompanied by Syria's continuing siege of Palestinian and leftist positions in Sidon and Tripoli and a newly established blockade of the leftist stronghold at Balabakk. The combined actions of the Syrians and Christians have seriously weakened the resistance of the Palestinian and leftist forces, which at this point are probably running low on arms and other vital supplies.

Nevertheless, neither the Palestinians nor their Lebanese allies have yet shown signs of willingness to knuckle under to Damascus' terms and get on with serious

political negotiations under the aegis of Lebanese president-elect Sarkis. Arafat, desperate to preserve his independence and the freedom of the Palestinians in Lebanon, is continuing to try to bring other Arab pressure to bear against 25X1 Syrians. The Lebanese leftists, for their part, are apparently not ready to temper their political demands and agree to the settlement plan sponsored by Asad last February, which preserved the essentials of the Christians' position.

At Arafat's urgings, Arab League officials have issued optimistic reports almost daily on their efforts to form a broader force to augment the Syrian-Libyan contingent now in Beirut. The potential participants in the pan-Arab force—Saudi Arabia, Algeria, and Sudan—seem now to recognize that there are no easy solutions and many dangers in Lebanon, and none seems eager to dispatch its forces. Arafat has also failed to elicit any direct aid from the host of Arab capitals he has visited this month.

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IRAQ-SYRIA

Baghdad sent more military units toward the Syrian border this week and also took measures to demonstrate that its armed forces are being placed in a high state of readiness. The moves still appear intended as a show of force designed to relieve the pressure on the Palestinians and leftists in Lebanon and to embarrass Damascus.

The US interests section in Baghdad believes Iraqi leaders are trying to exploit what they see as Syria's serious miscalculation in Lebanon. Iraq's Baathist leaders may also be betting that prolonged involvement in Lebanon will create serious political unrest in Syria leading to an internal upheaval against the rival Baathist regime in Damascus. In such an eventuality, the interests section believes Baghdad would use its large troop concentrations on the border in a way calculated to strengthen the hand of any contenders for power in Damascus who might be more amenable than President Asad to working with Baghdad.

The Iraqis are going to some lengths, however, to reassure concerned parties that they do not intend to attack Syria.

EGYPT-SYRIA

The prime ministers and foreign ministers of Egypt and Syria met in Riyadh on June 23 for the first round of the often-postponed Saudi effort to reconcile the rift between the two governments. They reached agreement on establishing a military-political committee to discuss the future coordination of a strategy against Israel, and they jointly endorsed the concept of an Arab League peace-keeping force for Lebanon. There appear to be enough loopholes in the joint statement, however, to allow either side to ignore its commitment to greater coordination, as has occurred after past reconciliations, and the chances for more than a surface



First contingent of peace-keeping force passes through battered section of Beirut

harmony are dim.

Egypt seems to have approached the meeting with a fundamental misunderstanding of Syria's position and of how far Damascus could be pushed; Syria, for its part, seems less interested at the moment in clearing up its difficulties with Egypt than in mollifying its Saudi ally and securing Riyadh's approbation for Syria's moves in Lebanon.

Egypt operated under the assumption that the second Sinai agreement would not be discussed at the meeting and that it could get away with centering the discussions almost solely on its complaints against Syria's actions in Lebanon. The Egyptians apparently felt that Damascus was under so much pressure in Lebanon and from Iraq that Syria could be forced to make amends in ways that substantially satisfied Cairo.

The joint statement on formulating a coordinated strategy toward Israel indicates in fact that the Sinai agreement was at least touched on at Riyadh. It will also undoubtedly be the topic of intensive discussion when and if the political-military committee ever meets. Without some resolution of the fundamental differences between Syria and Egypt over strategy for peace negotiations—which

would necessarily require discussion of the Sinai accord—any reconciliation will be no more than skin deep.

Even a papering over of differences will be viewed as a positive step by the Saudis. They have been trying for several months to heal the rift and thus eliminate what has become a perplexing foreign policy dilemma for Riyadh.

The Saudis look on both Sadat and Asad as reasonable men and important allies against the extremists in Arab politics. The infighting between the Egyptian and Syrian leaders, the 25X1 believe, has weakened both men and the entire moderate camp. The disappearance of either from the scene would require Riyadh to deal with a new major Arab leader who could turn out to be under no obligation to the Saudis.

Of the two leaders, the Saudis are probably most concerned that Asad might go under. They fear that a political failure in Lebanon could lead to a resurgence of the left in Syria. The worst possible case, in Saudi eyes, would be a regime in Syria allied with the ruling Baathists in Iraq, confronting Saudi Arabia with a formidable block of hostile left-wing opinion on its northern flank.

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Africa

SOUTH AFRICA

The most extensive urban violence in South Africa's history subsided this week, but the net result appears to be a lengthening of the already heavy odds against any nonviolent solution of the country's racial problems.

Rioting began on June 16 in the all-black township of Soweto, near Johannesburg, and spread to 10 other

black residential locations in the area by June 18, when the violence peaked. Early this week, relatively small-scale rioting flared briefly in three black townships around Pretoria. The government put known casualties at 140 dead and 1,128 injured. All but two of the dead and seven of the injured were blacks.

Although the rioting has intensified existing racial tensions, it never posed a threat to white supremacy. Police regained control of disturbed areas without military reinforcements, except for a few helicopters. A country-wide ban on outdoor gatherings for the remainder of June has discouraged sympathy demonstrations outside the black townships, although some arson occurred at black schools around Durban and in several of the tribal homelands.

South African leaders, including Prime Minister Vorster, have claimed the rioting was fomented by white radicals and black subversives, but no evidence is available to support such assertions. The disturbances in fact appear to have been triggered by the insensitivity of government officials in



In Johannesburg police charge demonstrators who chanted, "Let Soweto decide."

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dealing with student protests against having to learn Afrikaans and to have spread spontaneously.

The government, in the opinion of the US embassy in Pretoria, is unlikely to respond to the disturbances by considering needed reforms of the apartheid system. The readiness of Vorster and his colleagues to blame the rioting on subversive manipulation suggests they will instead redouble their efforts to tighten already stringent controls on non-white activities. The embassy also believes that fear of racial violence at home probably will reinforce Pretoria's instincts toward caution rather than innovation in dealing with Rhodesia and Namibia. *(For a fuller discussion of Vorster's policies, see page 9.)*

Europe

ITALY

The Christian Democrats held their position as Italy's largest party in this week's parliamentary election, but unprecedented gains by the Communists have provided Berlinguer's party with a strong argument for at least a consultative role in the next government.

Maintaining approximately the same percentage of the vote as they polled in the 1972 parliamentary elections, the Christian Democrats held on to all their Senate seats while dropping only four in the Chamber of Deputies. The party also improved on its disappointing performance in last summer's regional elections by over three percentage points.

The Communists not only solidified their significant gains in the regional elections, but also added 22 new Communist members to the Senate and 48 new deputies. The psychological impact of the Communist gains was further heightened when Rome was added to the growing list of cities in which the Communists hold a plurality.

| | 1972 Chamber Election Percent | 1975 Regional Elections Percent | 1976 Chamber Election Percent |
|---------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| Christian Democrats | 38.8 | 35.3 | 38.7 |
| Communists | 27.2 | 33.4 | 34.4 |
| Socialists | 9.6 | 12.0 | 9.6 |
| Neo-fascists | 8.7 | 6.4 | 6.1 |
| Social Democrats | 5.1 | 5.6 | 3.4 |
| Republicans | 2.9 | 3.2 | 3.1 |
| Liberals | 3.9 | 2.5 | 1.3 |
| Others | 3.8 | 1.6 | 3.4 |

Comparative Italian election results in the Chamber of Deputies elections of 1972 and 1976, and the regional elections in 1975.

The balloting was in effect a referendum on Communist participation in the government. The resulting polarization of the electorate markedly reduced the strength of the small center and center-right parties, many of whose votes were drawn off by the Christian Democrats.

The result is that the Christian Democrats no longer have the option of forming a centrist coalition government and are even more reliant on the erratic Socialists than before the elections. It was, in fact, the Socialists who brought down the Moro government and precipitated the elections, but the gains they expected did not materialize. Instead, they dropped two points from their showing in the regional elections last year, and although they retained their share of the vote from the last parliamentary election, they dropped four seats in both the Chamber and Senate.

The election results have produced a stalemate which is likely to continue for some time. Central to the deliberations of party leaders, which began this week, is the question of how to deal with the strengthened Communist Party. Buoyed by their election success, the Christian Democrats remain dead set against any formal cabinet participation, but some party leaders would reportedly be open to consultations with the Communists on major legislation. The Socialists thus far have not backed down from their campaign stand favoring some form of Communist participation.

Although Communist Party leader

Berlinguer insists that the Communists are "in no hurry" to enter the government, he has clearly indicated that he expects his party at least to be granted an effective voice in government policy. Given the Communists' growing national standing and the disarray of the Christian Democrats' traditional coalition partners, the Communists appear to be closer to achieving that goal than at any time since their ouster from the government in 1947.

Tass Comment

The Soviets have not commented authoritatively on the election, although Tass has highlighted the substantial gains by the Communists and the losses by parties on the right. The largest swing to the left since the war, Tass notes, makes it difficult for the Christian Democrats to disregard the Communists in forming a government. Moscow's generally positive reaction thus far differs from the Soviets' usual ambivalence toward the political line adopted by the Italian Communists. *(An analysis of Italy's post-electoral economic prospects appears on page 12.)*

PORTUGAL 27-30

Prime Minister Azevedo's heart attack on June 23 has raised the possibility that Portugal's presidential election may not be held on Sunday. If Azevedo—one of four candidates—should die before the vote on Sunday, the Constitution

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Prime Minister Azevedo

specifies that a new date be set and that the entire election process—which takes a minimum of two months—begin again.

The Prime Minister has had a history of heart disease, and he has been under mounting pressure because of the failure of his poorly organized and under-financed campaign to halt the momentum of the front-runner, army chief Eanes.

During the past week, Azevedo had stepped up his personal attacks against Eanes, accusing him of attempting to "torpedo" the reforms made by the officers who ousted Caetano more than two years ago. He also criticized the army chief's efforts to restore "professionalism" to the military since leftist officers lost power last November. Azevedo's attempts to discredit Eanes served only to arouse the hostility of the armed forces and appear to have helped his own campaign very little.

Much of his support now seems likely to go to Eanes, although Azevedo's cam-

paign headquarters insists he will remain a candidate. Should the Prime Minister recover sufficiently to withdraw from the race before the deadline Friday night, he might encourage his followers to back the far left candidate, former security chief Otelo de Carvalho, whom he has praised in recent campaign statements.

In recent polls, Eanes has held a strong lead over his three rivals, and Azevedo's illness should increase Eanes' chances of winning a clear victory on the first ballot. Should he fail to win a majority, a runoff must be held within three weeks.

If Azevedo dies before Sunday, the postponement of the election for at least six to eight weeks could have far-reaching consequences. Not only could it lead to shifting alliances and new candidates entering the race, but it would also delay the formation of a new government based on the parliament elected last April. Any delay would also put off badly needed economic measures. ()

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CYPRUS

Turkish Cypriot leader Rauf Denktash and his party scored an overwhelming victory in last Sunday's presidential and assembly elections in the self-proclaimed "Federated Turkish State of Cyprus."

Denktash obtained over three fourths of the vote in his presidential contest with Ahmet Berberoglu, the leader of the leftist Republican Turkish Party. Denktash's center-right National Unity Party gained 54 percent of the vote in the race for the 40-member assembly, but under the apportionment system the party was awarded three fourths of the seats.

The election outcome was a significant personal victory for Denktash and an endorsement of his hard-line policy toward negotiations with the Greek Cypriots. During the election campaign, Denktash had stressed the need for close ties to the Turkish mainland, going so far as to call for a declaration of independence, if the Greek Cypriots are unwilling to accept his terms for a settlement. He charged his op-

ponents with advocating Marxist ideas and wanting to sell out to the Greek Cypriots.

The three opposition parties focused on domestic issues, charging the Denktash administration with corruption and mismanagement. They also spoke out against independence and in favor of a bizonal federation with the Greek Cypriots. Denktash's main challenger in the presidential contest used the slogan "Cyprus for the Cypriots," but it failed to strike a responsive chord among the electorate.

Armed with a strong mandate and backed by a responsive assembly, Denktash is now likely to press Ankara even harder for permission to declare independence. At the same time, Denktash's strong domestic position should make it easier for him to make concessions in negotiations with the Greek Cypriots, if Ankara rules out the independence option in favor of a independence option in favor of a negotiated settlement. ()

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Rauf Denktash

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LAOS

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In one of his rare speeches, delivered on June 12 at the first plenary session of the Lao Supreme People's Council, Prime Minister Kaysone Phomvihane warned that hard times lie ahead. Kaysone looked no further than the US for a scapegoat for Laos' woes.

As Kaysone acknowledged in his report, Laos has suffered a dramatic increase in the cost of living, there are serious shortages of essential goods—a condition apparently exacerbated by the disruption of trade across the Lao-Thai border—and the communist cadres now running the country lack experience in handling the problems they now face. Kaysone frankly noted that since the communist take-over, many people, particularly in the urban professional classes, have suffered significant economic hardship.

Kaysone ascribed such problems to both the aftereffects of the long years of US involvement in Laos and to what he alleged were the current US efforts to sabotage the Lao economy as part of a scheme to bring down the communist government. He accused the US of weakening the country by luring away skilled personnel and removing vital equipment, of encouraging Thailand to close the border, and of attempting to manipulate the Lao currency. Nonetheless, the direct linkage between US aid and continuing diplomatic relations—a linkage made specific in Kaysone's policy speech of last October—was more ambiguous on this occasion.

Kaysone emphasized the need for foreign assistance. While citing the special relationship with Vietnam and Cambodia, Kaysone reiterated the need for aid from "fraternal countries, friendly countries, and other international organizations." Yet he displayed some sensitivity about such dependence, denying alleged charges by unnamed "pessimists" that the new regime was no better than its predecessor, which subsisted on US aid, and arguing that current aid would lead to self-suf-

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iciency.

Thailand was roundly castigated for past sins and warned against attempting to preserve US bases and forces on Thai soil "under a new form" or continuing to support Lao resistance groups. Kaysone went on to call for negotiations to settle the outstanding problems between the two countries, particularly those concerning the border and Mekong River traffic.

As for solutions to Laos' problems, Kaysone emphasized mainly the need to work harder to improve the basic foundations of the economy—production, infrastructure, and management—and recommended the use of rehabilitated former civil servants and technocrats. Kaysone called for strengthening the armed forces. In the diplomatic field, he said Vientiane would work for broader international support while reviewing all agreements signed by the old regime.

In all, it appears that the men from Sam Neua are finding the transition from revolution to government an arduous task and are eager for foreign whipping boys.

Western Hemisphere

JAMAICA

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The state of emergency imposed by Prime Minister Manley on June 19 is being directed primarily against the opposition Jamaica Labor Party. All but one of the first ten persons detained are important Labor Party officials and organizers.

Manley ordered security forces "to arrest and detain all persons whose activities are likely to endanger the public safety." In a brief public statement, he attributed his action to the need to combat spiraling violence and resulting economic decline.

Gang warfare between armed supporters of the two political parties has turned the slums of Kingston into a battle zone, and crime is rampant. Last week the Peruvian ambassador was killed by persons who were apparently trying to rob him.

Manley's reference to "rumor-mongering" and "false allegations" detrimental to the government may have been partly directed at the US. He and others in the government have charged repeatedly in recent weeks that the US is engaging in a campaign to "destabilize" the country.

Manley asserted that the state of emergency will not interfere with the national elections that must be held before next spring. He seemed to imply, however, that it will remain in force at least until the elections are held and has made little effort to allay fears that its real purpose is to ensure the election of a majority of his party's candidates. Two of the Labor Party leaders under arrest are candidates for seats in parliament—one in a "swing" district that the People's Party most likely will have to win if Manley is to continue as prime minister.

Opposition leaders have been careful to mute their public reaction to the state of emergency and arrests, but they undoubtedly are highly concerned. Criticism of the government's actions is likely to intensify, especially if additional Labor Party leaders and candidates are arrested, as is likely.

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SECRET**BOLIVIA**

President Banzer's efforts to prevent the spread of the tin miners' strike have failed, but he believes they cannot hold out beyond the end of June.

Workers from two major state-owned mines who walked off the job last week in reaction to the government's declaration of a state of siege now have been joined by other miners and some employees in industry and the universities.

The miners are demanding the removal of the troops, the release of union leaders from detention, and a wage settlement. They are asking for a 150-percent wage increase and have rejected a government counteroffer.

Banzer visited the mines last week but apparently was unable to persuade the miners to return to work. Nevertheless, he is convinced his strategy will work because of the miners' lack of organized leadership and insufficient funds.

the President. Some indeed are already causing problems. The vigilante-style tactics being employed against known and suspected leftists are widely thought to be the work of impatient security and police officers unhappy with Videla's gradualist approach. Some high officials probably sympathize with these tactics.



President Videla

ARGENTINA

Indications of dissatisfaction in the Argentine military with President Videla are becoming more frequent, but there is as yet no indication of a concerted effort to replace him.

Much of the criticism of the President is probably little more than routine carping. Some, however, reflects a fundamental difference with his approach to governing, especially his failure to take a much tougher line on a broad front of national problems.

The hard-liners' basic criticism is that Videla has not moved strongly enough against the politicians and labor leaders they blame for bringing Argentina to economic and political chaos. In effect, they are calling for a political system in which most, if not all, civilians would be denied a substantial voice in government.

The hard-liners do not predominate in any one of the services, but some occupy key positions and could complicate life for

of-payments problems.

Domestic political considerations in several of the states joining the US at the summit make it unlikely that it will produce anything but a broad review of progress achieved since November and an endorsement of the strategy for controlled economic growth enunciated by the foreign and finance ministers of the OECD earlier this week in Paris.

Another major topic on the agenda will be the development of a common strategy for dealing with the developing states in the aftermath of the UNCTAD conference in May, in which the industrialized states were badly divided. The Conference on International Economic Cooperation in Paris is expected during the next six months to get down to specific negotiations, and continued differences among the industrialized states could give the developing states important negotiating advantages.

The leaders may also review the restructuring of the international monetary system agreed to in Jamaica last January, seek to give the GATT multilateral trade negotiations a boost, and restate their desire to avoid a rash of trade protectionism. A common approach to trade with the Eastern bloc countries may also be raised, as will the sensitive question of aid for the Italian economy, if on the margins of the meeting.

Participation in the summit by the four European countries led the smaller EC partners to protest that, inasmuch as the leaders would discuss issues within the Community's jurisdiction, the Community should be represented at the summit in its own right. An apparent compromise was worked out earlier this month only to fall through because of French objections. The French were willing enough to ask the US to invite Commission President Ortoli and Council President Thorn to attend this session, but they balked at the other side of the bargain: the development of procedures for EC participation in future summits. Thus, no one will represent the EC as such at Puerto Rico.

International**ECONOMIC**

The leaders of the seven major industrial democracies meet in Puerto Rico on June 27 and 28 to explore means of maintaining, without rekindling inflation, the economic recovery that has become more evident since the economic summit in France last November. The US, Japan, West Germany, France, and Canada seem firmly on the recovery path; Italy and the UK have serious balance-

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Prime Minister Vorster, while making only modest adjustments in South Africa's apartheid policy, has been quietly seeking areas of cooperation with Pretoria's black African neighbors.

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South Africa: Vorster and His Policies

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Prime Minister John Vorster is the unrivaled leader of South Africa's ruling National Party.

When Vorster became prime minister in 1966, he was considered a militant Afrikaner who, as minister of justice, had been responsible for the thoroughgoing crackdown in the early 1960s on several black nationalist organizations and countless white, black, colored (mulatto), and Asian dissidents.

By 1974, when Vorster led the National Party to its greatest triumph at the polls, winning a 72-percent majority in parliament, he had become a "middle of the roader" by Afrikaner standards. He had gained broad, albeit grudging, acceptance among Afrikaners for limited innovations in race relations by depicting them as necessary for maintaining apartheid under changing circumstances and to permit white-ruled South Africa to survive amidst black states.

During the past two years, Vorster has intensified his efforts to initiate discreet dialogues with leaders of African states, intended to reduce current tensions in southern Africa and to pave a way toward openly collaborative relations with Pretoria. Having talked with the presidents of Ivory Coast, Senegal, Liberia, and Zambia, he is aware that none of the important leaders in black Africa is likely to collaborate with Pretoria unless it stops supporting white rule in Rhodesia, starts to prepare Namibia (South-West Africa) for early and genuine independence, and also

begins basic reforms in South Africa.

Vorster's Foreign Policy

Vorster's new foreign policy was demonstrated when he shifted from support for Portuguese counterinsurgency operations in Mozambique to substantial economic support for President Machel's government after the coup in Portugal in April 1974. Pretoria has gradually strengthened economic ties that are important for South Africa and vital for Mozambique. Machel has avoided any dialogue with Vorster, but also any evident backing for exiled South African nationalists.

Vorster's collaboration with four black African presidents in efforts to mediate the Rhodesian conflict was the most promising breakthrough for his informal diplomacy, and the collapse of the settlement talks clearly showed its limitations.

So long as a political solution seemed possible, Vorster was willing to press Prime Minister Smith. Now that the talks have failed and a full-blown insurgency is developing, Vorster is unlikely to take the steps that would bring Smith to his knees, such as withholding South Africa's economic support from Rhodesia.

Namibia

The South African intervention in Angola has given impetus to the international drive to compel Pretoria to surrender control of Namibia. Despite these new pressures, Vorster appears to be persisting in a self-determination program for the territory that is unacceptable to the UN and the Organization of African Unity. Pretoria's goal for the territory appears to be independence under a loose



Prime Minister Vorster

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federal system that would maintain control by whites of the territory's principal resources.

The Angolan Affair

The South African military intervention in Angola last year apparently was an impromptu, step-by-step reaction to Soviet-Cuban support for Agostinho Neto's Popular Movement in the civil war. The rapid disengagement of the small South African Expeditionary force from the fighting last January was apparently triggered by an assessment that the military situation was hopeless unless South Africa had outside help.

Vorster no doubt also recognized continued South African intervention would embarrass moderate African leaders who were working to broaden African opposition to the Soviet-Cuban intervention.

The withdrawal of all South African troops from southern Angola in March and the resumption of construction by South Africans on a huge power and irrigation project important to both

Angola and Namibia marked a return to Vorster's strategy of wary coexistence.

The adverse international reactions to the South African intervention have at least temporarily discouraged moderate African leaders from further dealings with Vorster. At the same time, the intervention, the sudden pull-out, and the prospect of a prolonged Soviet-Cuban presence in Angola have apparently not seriously hurt Vorster's position at home.

The South African parliament met as usual in late January—in the midst of the Angolan involvement. Although opposition speakers gave prime attention to Angola, Vorster won a vote of confidence that included a few opposition members. Vorster argued that the evident limits of South Africa's military capabilities in a protracted war made it imperative to get on with the "dialogue" policy and reach accommodations with the moderate African leaders who fear further communist inroads.

For South African military leaders, the

Angolan experience revealed limitations in equipment, in logistics, and in the combat readiness of one-year conscripts. The net impact may well be sobering for some senior officers who have argued that it is better to confront the communist-backed black insurgents in Mozambique, Angola, or Rhodesia than in South Africa.

Bantustans

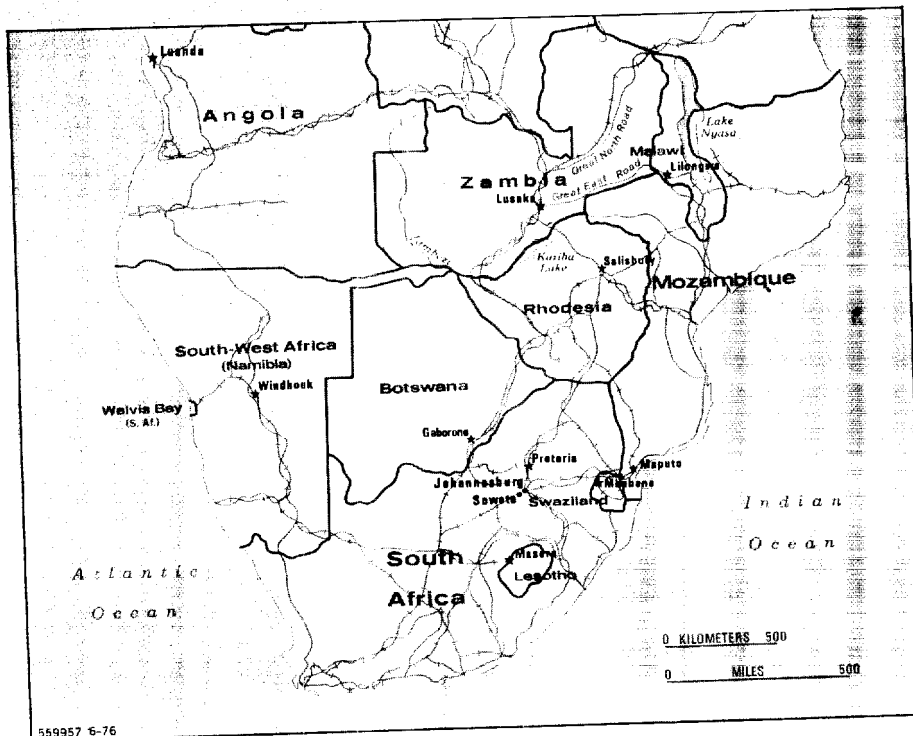
In his talks with African presidents, Vorster has noted that Transkei, one of the eight self-governing tribal homelands in South Africa proper, is to become fully independent next October. The remainder of South African blacks are supposed to eventually attain independence in their own Bantustans. Transkei is the only homeland to have a consolidated territorial base, and the tribal homelands together amount to only 13.7 percent of South Africa's territory.

The Bantustan program in fact is intended to remove the bulk of the black population from the urban areas to the homelands. Pretoria has heavily subsidized "border industries" and other projects designed to create jobs for blacks in or near the homelands. Nevertheless, the extensive industrial growth since the Nationalists came to power in 1948 has accelerated the aggregation of blacks in the major urban areas.

Urban Blacks

Most urban blacks lead a precarious squatter's existence. Vorster has not proposed any basic change in controls that are intended to restrict blacks to the homelands unless they are regularly employed. Nor has he been willing to repeal the labor codes that reserve skilled industrial jobs for whites and exclude black trade unions from legally sanctioned collective bargaining. Shortages of skilled labor are already constraining some industries, and illegal strikes among black industrial workers have become prevalent.

Vorster has offered only token measures such as permitting multiracial athletic teams for some international events, opening some first-class hotels to non-whites, and allowing "qualified" blacks to acquire 30-year leaseholds on

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Students hold up placards during riots at Soweto

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homes in the segregated residential areas. The latter privilege is limited to those who get citizenship papers from a tribal homeland.

The government continues to take a tough position against all spontaneous non-white activities that might become political in nature, although it does tolerate some carping from authorized opposition spokesmen, such as the homeland chiefs or the Colored Persons Representative Council. Few non-white groups have been banned outright, but they have been rendered impotent by government detention of activists or bans against their activities.

The absence of representative organizations among urban blacks and open channels for expressing their

aspirations or grievances breeds tensions that sometimes erupt in spontaneous demonstrations and riots. The rioting last week in Soweto apparently mushroomed from a student gathering.

Tightened Controls

The detentions and bans have not appreciably decreased since Vorster adopted a more flexible foreign policy. The US embassy estimated last November that over 100 young blacks have been arrested for suspected subversion during the preceding year, and many were still being held without trial.

Last month Vorster pushed through parliament the Internal Security Amendment Act, which authorizes the Ministry of Justice to detain anyone suspected of subversive action or intent, without

charge or trial, for periods up to a year with no bar to immediate rearrests.

In parliament the security bill met unusually bitter criticism from both of the opposition parties, and its clauses on Namibia will no doubt draw fire in the UN.

Vorster's Motive

Vorster apparently shrugged off such reactions because he believes it is imperative to prepare now for eventual attacks by foreign-based insurgents. Now Vorster will no doubt point to the current unrest to vindicate his position. He in any event no doubt feels compelled to show toughness in order to reassure the rigidly conservative Afrikaner farmers and artisans who form the bulk of the National Party.

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Whatever the shape of the post-election government that ultimately emerges, it will inherit an economy distorted by major structural and institutional maladjustments.

Italy: Legacy of Economic Problems

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Italy's post-election government will inherit a faltering economy worsened by years of neglect. A series of coalition governments has resorted to stopgap measures to adjust to higher oil prices and a massive redistribution of income, but no party has had the power or the determination to impose the austerity measures needed to solve the country's economic ills.

As political coalitions have sought to survive by dispensing financial favors, public-sector spending has swelled. Treasury borrowing averaged 6.5 percent of gross national product between 1964 and 1974—the highest ratio in the major developed countries.

In 1975, the treasury's cash deficit doubled to \$25 billion, 15 percent of GNP. With about half the deficit financed by money creation, government debt has been a chronic source of excess liquidity.

Center-left governments have largely ignored the major structural and institutional maladjustments that underlie Italy's economic difficulties and magnify cyclical downturns. These defects, which defy short-term solutions, include:

- Chronic underutilization of labor.
- Inadequate social services.
- Limited financial markets.
- Regional income gaps between north and south.
- The increasing dependence of investment and production on debt-ridden state enterprises.
- A cumbersome and inefficient fiscal system.

Italian labor unions have consolidated their political power by capitalizing on worker discontent with the country's inadequate social infrastructure. As a

result, the proportion of national income accruing to wage earners rose from 56 percent in the late 1960s to more than 70 percent last year.

Unit labor costs have climbed 16 percent annually since 1970, the highest rate among major industrial countries. Italy's mechanism for linking wages to prices makes it practically impossible to reduce the real earnings of workers, locking prices and wages in an inflationary spiral.

The fruits of Italy's patchwork policies have been a weak lira and rampant inflation. The fall of the Moro government in January triggered a run on the lira that continued sporadically throughout the first quarter of this year.

Heavy intervention in foreign exchange markets, tighter currency restrictions, and a new economic stabilization program did not arrest the plunge.

Not until the imposition of the import deposit scheme in early May did the lira begin to stabilize. Between then and election day, it hovered in the 840 to 860 range against the dollar, holding the trade-weighted depreciation of the lira since mid-January to 20 percent.

As a legacy of the battle to save the lira, the new government will inherit a foreign debt estimated at \$16 billion. New lines of credit established in May through the EC and the Bank for International Settlements will raise that figure \$1.1 billion. This year alone, Rome is scheduled to repay \$3.5 billion in interest and principal, \$2 billion of this to West Germany on a 1974 loan.

Although lira depreciation has restored the competitiveness of Italian exports to 1973 levels, it has so far done little to benefit the trade account. The seasonally adjusted deficit for the first four months

of 1976 totaled \$1.3 billion, compared with \$1.2 billion in September-December 1975.

Inflation, which averaged 17 percent in 1975, has accelerated to a 30-percent annual rate as lira devaluation has boosted costs of imported fuels and foods. Monthly jumps in the February-April wholesale price index are the largest since the 1973-74 oil price hikes.

On the plus side, the recession apparently is over. After dropping 9.7 percent last year, industrial output has risen 10 percent (seasonally adjusted) since December. Italian exporters are searching for new orders, eager to sell before the rising costs of labor and imported raw materials erode the benefits of the lira's fall.

Despite the rise in production, unemployment continues to creep up, adding to political tensions. Because union strength and labor legislation have made it difficult to lay off workers, official unemployment is only 3.5 percent. The total number of workers employed less than full time, however, increased 27.6 percent in 1975; these workers compose 5.6 percent of the labor force. The large number of young people among the unemployed—wooed with success by the nondemocratic parties—represents a dangerous element of social discontent.

The key to economic development after the elections will be the reactions of Italian businessmen and foreign creditors to the new government. Although the Christian Democrats' plurality has given the lira a slight psychological boost, protracted negotiations over the formation of a new government may lead to sporadic bursts of capital flight during the summer.

If a new center-left government

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with indirect Communist participation does ultimately emerge, only a marginal shift in Italy's social and economic orientation would occur. With Communists excluded from key ministerial posts, foreign and local business would feel assured that nationalizations or stringent planning guidelines would be unlikely.

Many would view Communist support from outside the government as a means of enhancing the ruling coalition's credibility.

With the Communists sharing at least partial responsibility for government actions, the Socialists would be more inclined to join with the Christian Democrats in an effective austerity program. The Communists, moreover, might convince the unions to accept some type of voluntary wage restraint.

The price of Communist support for such a program would probably involve revision of spending priorities in favor of

improved social services, tougher taxation of unearned income, and a greater say for labor unions in private investment decisions.

Regardless of the shape of the eventual stabilization program, inflation will be difficult to contain in the short-run. Cost-push pressures will remain troublesome. Labor contracts already concluded this year—involving 4 million workers—entail 8 to 10 percent increases in basic wage rates; when cost-of-living adjustments are taken into account, these settlements could easily boost wages 20 percent on an annual basis.

With productivity gains likely to be slight, Italy can expect another major leap in labor costs this year, at a time when little change in labor costs is anticipated elsewhere.

More promising are prospects for reducing the government's massive borrowing requirements. Gasoline and value-added tax hikes instituted in

mid-March will draw \$1.9 billion into the government coffers—7.5 percent of the treasury's 1975 borrowing needs. As expanded by the lame duck parliament on May 7, the measures include curbs on tax evasion, a requirement that the treasury report its quarterly borrowing needs, and authorization to implement a dual price market for gasoline.

Whatever the shape of the eventual government, economic recovery will proceed slowly. Public investment in social services and export demand seem likely to provide the main impetus for growth.

Precautionary saving patterns, newly imposed taxes, and high unemployment will restrain consumer spending, while public operating expenditures are likely to rise only slightly. Political uncertainty, substantial spare capacity, and tight credit will probably keep private fixed investment depressed.

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Striking civil servants demonstrate in Rome in January

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The Communists are tightening their grip on the south, although there seems to be some debate over how quickly sterner measures should be introduced.

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Vietnam: Communist Control Increases in South

After a year of relatively moderate rule in South Vietnam, the communists have removed most foreign observers from Saigon and are tightening their control.

The nationwide elections on April 25 were an important step in legitimizing the process of reunification. On June 24, the Vietnamese convened a meeting of the new National Assembly to select the new government, appoint representatives to the new ministries, and name a committee to write a new constitution.

On June 1, South Vietnam's Provisional Revolutionary Government announced sterner measures to punish businessmen who violate the regime's economic and security regulations. A special peoples' tribunal will be set up to try publicly and without appeal entrepreneurs who allegedly worked closely with the US and are still:

- Hoarding and speculating.
- Trying to evade taxes or bribing government officials.
- Storing weapons, "colluding with the reactionaries," or organizing refugee escapes.

Individuals found guilty could have their property confiscated and be sentenced to prison for from five years to life, or be put to death. Those who have obeyed the law since "liberation day" could have their sentences suspended and

lose only part or all of their property.

These measures go far beyond those announced last September, which dealt only with economic crimes, stipulated confiscation of property as the only punishment, and did not refer to crimes committed before the end of the war.

On June 9, the government announced that troops, noncommissioned officers, officers, and "personnel at various echelons of the administrative apparatus" of the former regime "must attend collective re-education courses for three years," if they had not aided the revolution or have not already satisfactorily completed re-education courses. In contrast, the last official statement in January did not impose an explicit re-education period and referred only to "higher ranking officers" and "officials of the puppet armed forces and administrative apparatus" as being in reform camps.

The new regulations also said for the first time that the regime would hold trials for people who had:

- Committed crimes against the revolution.
- Incurred "blood debts" of the Vietnamese people.
- Served as "lackeys" of the US.
- Deliberately fled to foreign countries. (The communists were careful to exclude refugees who fled from "panic" and are outside the country only "temporarily.")

Over the last several months there has been evidence of a debate between advocates of a slower approach to communizing the south and those who urged a speedier and more forceful transformation. Public commentaries have been contradictory, suggesting that the issue is still unresolved.

In articles published in the November and February issues of Hanoi's theoretical journal *Hoc Tap*, the emphasis was on the need for speed and coercion in building socialism in the south. The April issue maintained that the south's economy should be changed "gradually and methodically" after careful preparation.

Hanoi has so far avoided acting on the potentially most explosive issue—collectivizing agriculture in the south. Hanoi has already instituted collectivization in the north and must eventually do so in the south to build a nationwide socialist system. The Third Party Congress in 1960 held that the collectivization of agriculture "is the main link in the whole chain of socialist transformation."

There is no debate on establishing a communist system in South Vietnam; the dispute is over the speed and severity with which it should be imposed. A clearer indication, including some insight into the communists' approach toward collectivization, probably will emerge from the Fourth Party Congress slated for sometime this year.

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Georgia party boss Shevardnadze was having enough trouble cracking down on the corruption that was the legacy of his predecessor three years ago. Now his difficulties have reportedly been compounded by the storm of nationalist protest prompted by recent Russification measures on education.

Trouble in Soviet Georgia

Recent reports from Soviet Georgia suggest that the situation in the republic continues to be unsettled. Georgia party boss Shevardnadze's influence appears to be at an all-time low, and for the first time questions are being raised in Georgia about his ability to continue in office.

Acts of arson and bombing continue, evidently the work of criminal elements angered by the ruthless three-year crackdown waged by Shevardnadze against the corruption and graft that had flourished under his predecessor, Mzhavanadze.

there had been some 250 acts of sabotage since the crackdown got under way, starting with the widely reported burning of the Tbilisi opera house in May 1973.

On April 12 of this year, a bomb exploded in the Georgian Council of Ministers building. This incident, which was widely reported in the Western press, was mentioned on Georgian TV newscasts, and a reference was made to it in a Georgian newspaper editorial on April 28. The paper warned that "bearers of former evil...who have lost the possibility of climbing into the public pocket without fear of punishment, seek

in the most despicable ways to express their dissatisfaction."

This view that the acts of sabotage have been committed by once influential criminal elements, not by nationalists, seems to be shared by all knowledgeable Georgians. As late as the fall of 1975

the intellectual community was still generally satisfied with Shevardnadze's leadership, and all was said to be quiet on the nationalist front.

Shevardnadze's inability to bring an end to the acts of sabotage now seems compounded, however, by a new quarrel with Georgian intellectuals.

All books used in higher and secondary education reportedly must now be approved in Moscow, and since January all candidates for higher degrees must submit their theses in Russian as well as in Georgian.

a spectacular flareup over this issue

took place at the Georgian writers' congress on April 23. In a sharp attack on Russification, a prominent local writer quoted Lenin on the correct nationality policy, said all-union minister of higher education Yelyutin should be tried for crimes against the Soviet constitution, and boasted that Georgian students were capable of reading Georgian texts from the sixth century—a

time when the Russian language had not even been thought of.

His remarks were accompanied by wild applause from the audience. The Georgian minister of education was subsequently prevented from speaking by the hooting writers, and Shevardnadze himself was given a hearing only when he made it clear that he would not be driven from the platform.

Shevardnadze's problems are Moscow's problems. While the dissidence is local in nature, and typically Georgian in its flamboyance, it has the potential for causing considerable embarrassment to the regime.



Eduard Shevardnadze

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President Daoud has begun moving to improve relations with Pakistan after three years of heightened tensions, many of his own making.

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Afghanistan: Easing Tensions with Pakistan

President Daoud's firmly entrenched, highly authoritarian regime has begun moving to improve relations with neighboring Pakistan. Relations had worsened three years ago when Daoud came to power in a leftist military coup and sharply stepped up agitation on the "Pushtunistan" territorial dispute between the two countries.

Among those who have urged Daoud to ease frictions with Pakistan has been Mohammad Naim—Daoud's younger brother—who will be visiting Washington next week. More Western-oriented and less militantly nationalistic than his brother, Naim has exercised a moderating influence on this and other issues.

Pakistani-Afghan Thaw

Daoud apparently decided last month to back off from his long-standing demand that Islamabad grant autonomy or self-determination to Pushtunistan, the Afghan name for Pakistan's two western border provinces. The Pushtun and Baluchi tribes inhabiting these sparsely populated provinces are ethnically more closely related to the Afghans than to most Pakistanis.

At Daoud's invitation, Pakistani Prime Minister Bhutto visited Kabul earlier this month for talks. The two leaders did not reach any formal accord on Pushtunistan, but their discussions were friendly and reinforced the trend toward better relations. Daoud accepted an invitation to visit Pakistan sometime soon.

Daoud's decision to relax his stance toward Pakistan was a result of:

- Islamabad's success in consolidating its control over the disputed territory.

- Daoud's failure to win support among Islamic countries for his Pushtunistan demand.

- Advocacy of stable Pakistani-Afghan relations by the Shah of Iran, who is becoming an important contributor of development aid to the backward Afghan economy.

- The recent improvement in Islamabad's relations with New Delhi, also a supporter of the Daoud regime.

Many Afghans, moreover, seem to prefer a more harmonious relationship with Pakistan, which is militarily much stronger than Afghanistan. The Afghan left reportedly opposes better relations with Islamabad, but does not appear strong enough to challenge Daoud or his policies.

Quashing the Left

The left shared power with Daoud during the first few months after the 1973 coup but subsequently lost most of its influence when Daoud purged or downgraded key leftists in his government and restored members of his Mohammadzai clan to key positions. The Mohammadzai have traditionally dominated Afghan governmental affairs.

Daoud distrusted the leftists because of their links with Moscow and their relatively effective organization in partyless Afghanistan. He had also taken increasingly into account the anti-leftist attitudes of the tradition-minded Islamic tribesmen who make up the bulk of the Afghan populace.

The strident policies toward Islamabad taken by Daoud's earlier government (1953-63) triggered Pakistani economic blockades that hurt landlocked Afghanistan, increased its dependence on the Soviet Union, and eventually helped bring about the government's dismissal by former King Zahir.

Soviet Ties

Daoud recognizes the need for Afghanistan to remain on close terms with its Soviet neighbor, but he wants to maintain good relations with the US in order to offset Soviet influence to some degree and to obtain as much US economic assistance as possible.

US economic aid extended to Afghanistan since World War II has totaled over \$500 million. The Soviets have extended nearly \$1.3 billion. Since 1973 Iran also has become an important donor, with commitments of at least \$700 million, although little of this has been disbursed so far.

The USSR is Afghanistan's largest trading partner and virtually its sole source of military equipment and training. Daoud's moves against the Afghan left, while undoubtedly troubling to the Soviets, do not appear to have triggered any cutbacks in military or economic aid.

No evidence is available that the Soviets are working to undermine Daoud's government, but they presumably would like a regime more responsive to Moscow when the 67-year-old President dies or steps down. For now, Daoud appears to be in good health and without serious rivals for power.

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